

The Retirement Savings Lost and Found Act

Summary

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Background:

As employers have shifted from defined benefit pensions to individualized retirement plans, such as 401(k)s, workers have become responsible for tracking, managing, and consolidating multiple retirement accounts when they change jobs. There is no standard way for workers to consolidate their accounts, and many workers lose track of their hard-earned investments.

According to the Government Accountability Office (GAO), about 25 million people changed jobs in the last ten years and left at least one or more retirement accounts behind. This problem is expected to grow because young workers frequently transition between jobs. The Department of Labor reported that the median job tenure for workers between the ages of 25 and 34 is only three years. And since the enactment of the Pension Protection Act, more employers are automatically enrolling workers in retirement savings plans. Automatic enrollment reduces the barriers for workers to save for retirement, but they may be less likely to pay attention to an account if they did not make an active decision to enroll.

The Employee Retirement Income Security Act allows employers to transfer missing retirement accounts of former employees into Individual Retirement Accounts (IRAs). Unfortunately, the fees to transfer IRAs often exceed the earnings, resulting in workers losing money. The GAO found that an unclaimed IRA with a \$1,000 balance could be reduced to \$0 in nine years because of investment fees. Small accounts are often the only savings that many workers have, and this bill will make it easier for workers to preserve and keep track of these savings for a secure retirement.

Summary:

The Retirement Savings Lost and Found Act will help working families retire with dignity by providing the tools necessary to keep track of their retirement savings when they move from job to job. This bipartisan legislation will:

- **Create a national lost and found for retirement accounts.** The bill uses data employers are already required to report to the Treasury Department to create a national, online, lost and found for workers to find all of their former employer-sponsored retirement accounts.
- **Keep the lost and found up to date.** The bill requires plan administrators to electronically notify the lost and found whenever a participant's savings are moved out of their plan.
- **Maximize investment earnings.** The bill would allow plan sponsors to move small accounts into age appropriate target-date funds so workers can maximize their investment returns.
- **Reinvest small cashed-out accounts.** The bill would require plan sponsors to send lost, uncashed checks of less than \$1,000 to the Department of Treasury so individuals can locate their money and continue to save for their retirement.